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Bengali farmers thresh rice

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Record World Rice Crops Depress Trade

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This week's cover:

Bengalee farmers thresh their rice with a recently introduced threshing drum, pedalled like an old-fashioned sewing machine. Rice is bountiful this year in Bangladesh and other parts of Asia as a result of record crops, discussed in article opposite.

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Record Crops Lift World Rice Supply, Depress Trade

By WEYLAND BEEGHLY
Foreign Commodity Analysis, Grain and Feed
Foreign Agricultural Service

EXTRAORDINARY 1975/76 harvests across virtually all of Asia are rapidly returning world rice supplies to the levels prevailing before the failure of the 1972 monsoon. But just as that year's drastically reduced crop launched an upward spiral in world rice prices, this season's upsurge in production has further depressed an already weakened market.

The 1975/76 crop—the third record in succession—is now estimated at 347 million metric tons,[1] up 6 percent from last season's bumper outturn. The gain can be attributed to an excellent summer monsoon, coupled with several years of attractive prices, some increased use of high-yielding varieties, and an easing of recent input constraints.

The outstanding crop has resulted in exportable supplies of 8.5-9.0 million tons. Actual imports, however, may dip below recent levels to little more than 7 million tons in the face of good harvests and above-normal stocks in many importing countries.

Nearly half of this year's increased outturn has taken place in chronically deficit India, where an almost faultless monsoon boosted production at least 9 million tons above last year's poor crop. However, major increases have also been registered in neighboring supplier countries such as Pakistan, Burma, and Thailand.

In Thailand, for example, production is now expected to exceed 15 million tons, up nearly 4 percent from the 1974 crop. Thai export offerings were considered uncompetitive during much of 1975, and 500,000 tons of unsold old-crop rice have been carried into 1976. This, combined with the new-crop surplus, puts current Thai export availabilities at nearly 2 million tons.

In recent weeks, Thailand has moved to make its prices more competitive with those of other Asian suppliers through the elimination of one type of export tax and the reduction of another. Thai quotations for top-quality rice have fallen more than 12 percent since early November.

Burma is also carrying in a little old-crop rice and, along with anticipated new supplies, may be able to export as much as 500,000 tons—the highest level in 4 years. About one-third of this is expected to go to Sri Lanka (Ceylon). Burmese rice exports in calendar 1975 are now estimated at 370,000 tons, up 86 percent from the previous year's.

Although Thailand and Burma have traditionally been two of Asia's strongest suppliers, Pakistan and the People's Republic of China (PRC) are more and more the dominant forces in world rice trade.

In the last 6 months, Pakistan has emerged as the price leader in a number of Asian and African markets. It has also shown a growing interest in the Mideast, a market which last year accounted for one-half of U.S. commercial sales.

Pakistan's trading position will be even stronger in 1976 as the recently harvested crop was nearly 7 percent above the previous year's. The exportable surplus is put at 900,000 tons (including 200,000 unsold from the 1974 crop). About one-third of the surplus is basmati—a long, slender, aromatic rice once exported to only overseas Pakistanis and a few neighboring sheiks and shahs.

WITH THE increase in Mideast oil revenues and Pakistan's apparent determination to match offers of the well-liked U.S. No. 2 long grain in the Persian Gulf, basmati has begun penetrating the Mideast market in greater volume. Early last fall, for example, Iraq—which was counted on as a major market for U.S. rice in 1975/76—bought 100,000 tons of basmati at $400 per ton, about half the price at which it had been offered a year earlier.

[1] **All production figures are on a paddy basis; trade and stocks are in terms of milled rice.**

Pakistan has also been making overtures to Iran and, although the Iranians seem to have been disappointed by a small quantity of basmati received last year, the possibility of future purchases probably cannot be dismissed. Basmati bears a close resemblance to the preferred locally grown rice, and some Iranian officials have commented that future grain procurement should, to the extent possible, take place within the framework of trading arrangements with neighboring countries.

Trading activities of the PRC are perhaps not so worrisome from a U.S. standpoint, as most sales have been made to Far Eastern buyers. The PRC became Asia's leading supplier in 1973, when other Asian exporters reduced offerings, and has maintained that position ever since. However, its exports in calendar 1976 may decline somewhat—to perhaps 1.2 million tons from an estimated 1.5 million last year—as the world market becomes increasingly competitive.

In most other exporting countries, supplies also appear larger than those of a year ago. Egypt, through the use of new price and procurement policies, seems intent on selling 200,000 tons, twice as much as in 1975. North Korea is reported to have at least 200,000 tons available for shipment. Southern Hemisphere suppliers will likely offer about 100,000 tons more than the half-million moved in 1975. And of course the United States has a substantial quantity unsold out of the 1975/76 crop. Of the 12 leading exporters, only Italy—which drew heavily from stocks last year—is likely to offer less rice in 1976.

Excellent crop conditions have not, however, been limited to the supplier countries. Combining to dampen demand by a number of importers are the bumper harvests, along with—in some cases—increased stock levels, fiscal and policy considerations, and port congestion.

Last year, for example, Indonesia, South Korea, Iran, and Sri Lanka were the four largest rice buyers in Asia, accounting for roughly 30 percent of world demand. In each of these countries—except possibly Indonesia—imports will likely decline in 1976.

Aside from India, and probably the PRC, Indonesia is holding the largest rice reserve in the world, most of it accumulated during 1973 and 1974—2 years of costly stockbuilding. In 1975, imports dropped by nearly two-thirds,

Clockwise from top: Women transplant second-crop rice seedlings in Cauvery Delta—rice bowl of South India; muzzled cattle hoof-thresh paddy by the road to Mandalay; South Korean farmer hauls threshed paddy to nearby mill; and Burmese woman stands under home using a small, family-type rice mill.

and although buying plans for 1976 are not yet final, imports are unlikely to exceed the 1975 level of about 600,000 tons.

Meanwhile, Indonesian production continues to grow steadily as more area comes under high-yielding varieties, double-cropping increases, and marshlands are drained for rice cultivation. The 1975 crop is put at about 24 million tons (16.3 million, milled) 5 percent above 1974's.

South Korea's 1976 rice policy seems somewhat contradictory. Although the 1975 crop appeared significantly damaged by a late-season attack of brown planthoppers, the Government has put production at 6.48 million tons, up 5 percent from the 1974 record. With heavy stocks (800,000 tons) in hand, Korea is now claiming "rice selfsufficiency," in spite of a continuing policy prohibiting the serving of rice in restaurants 2 days per week and specifying the mixing of barley with rice to extend Government rice supplies.

The situation can perhaps best be understood by noting the country's severe foreign exchange shortage. Thus, Korea—which paid cash for 300,000 tons of U.S. rice in 1974/75—may find it difficult to buy commercially in 1976.

Buying interest has also waned in the vital Iranian market, which in 1974/75 took 450,000 tons of U.S. topgrade rice. Although the 1975 Iranian crop is perhaps slightly larger than in 1974, sluggish import demand appears largely due to port congestion, a slight buildup in stocks, and probably a willingness to await further price developments. The Iranian army is continuing to buy at least 10,000 tons of U.S. rice monthly, but purchasing for civilian use may not strengthen until spring.

As in the past, Sri Lanka will continue to fill most of its rice deficit under a longstanding rice/rubber barter arrangement with the PRC. Although the 1975 season was one of the dryest on record, prospects look better for the 1976 crop (harvested in February-March, July-August) as the drought has been broken and new Government policies appear to encourage increased production. Calendar 1976 imports are expected to decline by 25 percent to about 300,000 tons.

In Bangladesh, as in India, a favorable 1975 monsoon led to expanded output and the likelihood of significant gains in per capita consumption of rice. Production in 1975/76 is now estimated at 18.5 million tons, up 8 percent from that of a year earlier. Though there are reports of inadequate storage facilities and some spoilage, "surpluses" in Bangladesh tend to be short lived. Barring new problems with port congestions, imports are likely to remain near 1975 levels.

The Philippines appears to be self-sufficient in rice for the first time since 1971. The 1975 crop was untouched by typhoons, and production is currently estimated at nearly 6 million tons, up almost 6 percent from that of 1974/75.

Based on current estimates, the 1975/76 rice crop will exceed consumption requirements by about 100,000 tons (milled), thereby permitting some stock buildup. Officials say they do not intend to buy any rice in 1976.

This weak import demand—particularly in South Korea and Iran, which last year accounted for 43 percent of U.S. rice sales—is having a significant effect on U.S. export sales. Moreover,

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WORLD RICE PRODUCTION, TRADE, AND STOCKS[1]
[In million metric tons]

Country or region	1973/74	Preliminary 1974/75	Projected for 1975/76 as of Oct. 7	Projected for 1975/76 as of Dec. 19
Production:[2]				
Bangladesh	17.6	17.1	18.5	18.5
Burma	8.6	8.6	8.7	9.0
India	65.7	59.5	66.0	69.0
Indonesia	21.5	22.7	25.0	23.9
Japan	15.2	15.4	16.0	16.4
Korea, Rep. of	5.9	6.2	6.4	6.5
Pakistan	3.7	3.5	3.8	3.7
PRC	113.0	117.9	118.0	120.0
Thailand	14.4	14.5	15.0	15.0
Subtotal	265.6	265.4	277.4	282.0
EC-9	1.1	1.0	1.0	1.0
Australia	.4	.4	.5	.5
Argentina	.3	.4	.4	.4
Brazil	6.4	6.5	6.5	6.5
All others	46.5	47.9	49.5	50.7
Total non-U.S.	320.3	321.6	335.3	341.1
U.S.	4.2	5.2	5.7	5.8
World total	324.5	326.8	341.0	346.9
Exports:[3]	1974	1975	1976	1976
Burma	.2	.4	.4	.5
Pakistan	.5	.5	.5	.7
PRC	1.9	1.5	1.8	1.2
Thailand	1.0	1.0	1.3	1.2
Other Far-Eastern suppliers	.9	.7	.3	.5
Subtotal	4.5	4.1	4.3	4.1
Southern Hemisphere suppliers	.3	.5	.5	.6
All others	.9	.9	.4	.7
Total non-U.S.	5.7	5.5	5.2	5.4
U.S.	1.7	2.0	2.3	1.8
World total	7.4	7.5	7.5	7.2
Imports:				
Bangladesh	.1	.3	.3	.4
EC-9	.6	.6	.6	.6
Hong Kong	.3	.4	.4	.4
Indonesia	1.8	.6	.7	.6
Iran	.1	.5	.5	.4
Khmer (Cambodia)	.3	.4	.1	.1
Korea, Rep. of	.3	.5	.4	.2
Philippines	.2	.1	.2	—
Sri Lanka (Ceylon)	.3	.4	.4	.3
All others	3.4	3.7	3.9	4.2
World total	7.4	7.5	7.5	7.2

[1] Production is on rough basis; trade and stocks are listed as milled. [2] The world rice harvest stretches over 6-8 months. Thus, 1975/76 production represents the crop harvested in late 1975 and early 1976 in the Northern Hemisphere, and the crop harvested in early 1976 in the Southern Hemisphere. [3] Calendar-year basis.

Adverse Weather in Brazil Cuts Wheat Crop Estimate

ADVERSE WEATHER—too much rain for some crops; too little for others—in Brazil's principal grain-growing areas has resulted in lower estimates for calendar 1975 production of wheat and grain sorghum, higher but below-earlier-forecast estimates for outturns of rice and dry beans, and an estimated corn crop equal to that of 1974.

In brief:

Wheat production forecast for 1975 has been lowered to 1.8 million tons. Wheat imports in calendar 1976 should increase to 3.3 million tons, up from 2.1 million to 2.2 million tons in 1975.

Sorghum production in 1975 has been revised downward slightly to 483,000 tons, but is likely to increase in 1976.

The rice outturn estimate remains at 6.5 million tons (paddy). Imports in calendar 1975 will amount to 52,000 tons (milled equivalent). Some improvement is foreseen for 1976 production if favorable weather prevails.

The dry beans harvest in 1975 is now estimated at 2,280,000 tons—a slight increase over 1974 production.

The corn production estimate for 1975 is 15 million tons, equal to that of 1974. Exports for the year beginning April 1, 1975, are forecast at 900,000 tons. A record production of about 18 million tons is expected in 1976, which would allow exports in the neighborhood of 3 million tons.

The lower wheat forecast is quite a drop from earlier forecasts that went as high as 3.8 million tons.

The culprits were bad weather—frost, excessive rain, and hail—and poor climatic conditions. Much of the 1975 wheat crop has a very low specific weight (about 80 kilograms per hectoliter is considered normal), which will require the blending of some domestic wheat with imported stocks. Some wheat will be used for feed.

The outlook for 1976 wheat production depends in part on two variables—farmer satisfaction with indemnities for 1975 losses and prices to be offered in 1976. In 1975, farm losses in excess of 52 percent were for the first time covered by the Federal Government's crop insurance program, which pays the farmer for 80 percent of losses financed by bank loans. A favorable factor for increased wheat production is the continuing growth of soybean production—more often in combination with wheat as a winter crop.

The outlook for Rio Grande do Sul ranges from a small decline to a small increase in area planted. There is general agreement that area planted will increase in Paraná and other producing States. Barring extreme climatic adversities, a conservative forecast for 1976 wheat production (October-December harvest) would be 3.5-4 million tons, and the final outcome could well be higher.

Brazil's wheat imports during calendar 1975 amounted to 2.1-2.2 million tons, 5-10 percent above previous estimates. Of this volume, 300,000 tons were from Canada, 50,000 tons from Uruguay, and the rest from the United States.

Imports during 1976 will depend in part on the Government's consumption policy, which in December had not been disclosed. In round numbers, import requirements during calendar 1976 are forecast at 3.3 million tons—4.7 million tons for human consumption plus 400,000 for seed and feed less about 1.5 million tons from domestic production and 300,000 tons from stocks. Imports for the year beginning October 1, 1975, are forecast at 2.5 million tons.

The United States probably will be the largest supplier of Brazil's wheat imports during calendar 1976, but its share of the import market is likely to fall to 60-70 percent, compared with about 80 percent in 1975.

Brazil has signed an agreement with the Canadian Wheat Board that calls for delivery of 900,000-1.5 million tons of Canadian wheat over a 3-year period. Uruguay has an agreement to supply 50,000 tons of wheat per year for 3 years. And the Brazilian Government is negotiating with Argentina for delivery of wheat in 1976.

Brazil's long-term wheat policy goal is self-sufficiency in production as soon as possible. The tools for reaching this goal are guaranteed remunerative prices to farmers, an extensive research program concentrated on seeds suitable for Brazil's relatively adverse climatic conditions for wheat, and extending wheat cultivation in new regions.

The self-sufficiency goal may be reached by the 1980's. Growth in production is expected to be much more rapid in Paraná than in Rio Grande do Sul, and over a 10-year period new production centers are expected to emerge. The new producing regions with greatest promise are southern Mato Grosso, Sao Francisco Valley (Bahia), and Cerrados in Goiás, Matto Grosso, and Minas Gerais.

However, a series of continuing problems with weather could force Brazil to import substantial amounts of wheat—perhaps in at least 1 out of every 3 years—even after initial self-sufficiency has been achieved. Also, if Brazil is to maintain self-sufficiency, steps may have to be taken to reduce the rate of consumption growth.

BRAZIL'S rate of rice consumption apparently has leveled off, and on a per capita basis appears to have declined—an unusual development, because per capita rice consumption in Brazil increased throughout the 20th century up to the mid-1960's. The change in consumption habits that favored rice over manioc and corn was associated with urbanization.

Of the estimated 52,000 tons of rice (milled equivalent) that Brazil imported during 1975, about 24,000 tons came from Uruguay, 21,000 tons from Italy, and 20,000 tons from Colombia—apparently all brown rice (1 ton of brown rice equals about 800 kilograms of milled rice). These imports were authorized to discourage speculation in domestic rice prices.

The rapidly growing Brazilian mixed feed industry has been absorbing constantly increasing proportions of Brazil's corn production in recent years. The estimated amount of corn needed for commercial mixed feeds (both mixes and concentrate feeds) has grown from 1.2 million tons in 1968 to 3.2 million tons in 1974. The major significance of the rapid growth of the mixed feed industry is that a much larger proportion of corn produced in Brazil now must enter commercial marketing channels.

—Based on report from
Office of U.S. Agricultural Attaché
Brasília

Study confirms need

USDA To Continue Monitoring All Export Sales Contracts

By FRANKLIN EDWIN HOKANA
Export Sales Division
Foreign Agricultural Service

THE U.S. "EARLY-WARNING" system for informing the public of the status of export sales is most useful if exporters continue to report all their sales contracts, rather than just those with fixed prices, according to a recent Foreign Agricultural Service. As a result, U.S. exporters will still be required to report sales that are made under "basis", as well as "fixed-priced", contracts.

The study grew out of a concern in late 1974 that U.S. farm export sales were being overstated. Prime suspect was one type of contract used by U.S. sellers with a high rate of cancellations.[1] This is the so-called basis contract, which contains agreed-on mechanisms for setting commodity prices at a later date—usually keyed to fututre market prices for a given period. Exporters also use fixed-price contracts, in which the price is agreed on at the time of sale.

The immediate question and one of the primary reasons for the study appeared simple—why not report only those sales contracts that are fixed-priced? This shoud eventually cover all sales contracts, since basis-type usually move to a fixed category prior to shipment—unless they have been cancelled in the meantime.

FAS began to take a look at this problem at the time it assumed responsibility for monitoring export sales in October 1974. A large discrepancy between reported sales and prospective grain exports was immediately apparent.

In an attempt to eliminate this uncertainty and give the most reliable picture of prospective U.S. export movements, FAS proposed in the *Federal Register* of December 27, 1974, that basis-type sales be eliminated from the reporting system, thus limiting reporting to those contracts containing fixed prices.

Public comments, asked for in the proposal, turned out to be unanimously opposed to eliminating basis contracts from the reporting system. A leading argument was that the change would lead to underreporting of export sales. As a result of these comments, the decision was delayed pending further study, which is now complete for corn and soybean meal.

The study began on April 13, 1975, and was terminated on August 31, 1975. Thus, it occurred during the last half of the October 1, 1974-September 30, 1975, marketing year for corn and soybean meal. The central theme had evolved to—are basis-priced contracts more susceptible to cancellation than fixed price contracts, and what are the measurable differences?

FAS made the following observations on basis-price contracts for the 5-month period:

For corn:

- Basis-type contracts represented 56 percent of total outstanding sales on April 13; 38 percent on August 31.
- Nearly all of the contracts (86 percent) were sales to the European Community and Japan. The only country where more than half of total outstanding sales were basis contracts was Japan. This situation was also true for sales where destinations were reported as unknown.
- Basis contracts were cancelled 2.7 times more frequently than were fixed-price contracts and were only 57 percent as likely as fixed contracts to lead to export.

For soybean cake and meal:

- Basis-type contracts represented 53 percent of total outstanding sales on April 13; 12 percent on August 31.
- The majority of outstanding sales were concentrated in the EC and to unknown destinations.
- Basis-price contracts were cancelled 1.5 times more frequently and were 43 percent as likely to result in export than fixed-price contracts.

Another comparison was then made of the two pricing methods by examining the overstatement—the difference between the amount sold and amount shipped—for each type of contract.

The net sales activity that occurred during the study period provided the information needed for this review. The activity consisted of the outstanding sales on April 13, plus new sales, minus

[1] **The term "cancellation" as used throughout this article also refers to buybacks of all or part of a contract balance and resales, where a U.S. commodity is purchased from a foreign seller.**

FIXED AND BASIS PRICE CONTRACT ACTIVITY CORN AND SOYBEAN MEAL, APRIL 13-AUGUST 31, 1974

Commodity	Outstanding sales 4/13/75		New sales[1]		Changes from basis to fixed	Resales,[2] buy-backs, and cancellations		Actual exports[3]		Outstanding sales 8/31/75	
	1,000 m.t.	*Percent*	*1,000 m.t.*	*Percent*	*1,000 m.t.*	*1,000 m.t.*	*Percent*	*1,000 m.t.*	*Percent*	*1,000 m.t.*	*Percent*
Corn:											
Basis	7,856	56	2,473	55	−4,792	4,066	63	588	6	883	38
Fixed	6,277	44	2,009	45	+4,792	2,434	37	9,204	94	1,439	62
Total	14,133	100	4,481	100	0	6,500	100	9,792	100	2,323	100
Soybean cake and meal:											
Basis	2,165	53	8	1	−1,013	1,070	41	0	—	88	12
Fixed	1,919	47	584	99	+1,013	1,571	59	1,317	100	627	88
Total	4,084	100	592	100	0	2,641	100	1,317	100	715	100

[1] Includes contract tolerance adjustments. [2] A separate purchase of a U.S. commodity from a foreign seller, not involved in a cancellation or buy-back of a previously reported sale. Also includes decreases resulting from shifts in delivery period from marketing year 1974/75 to 1975/76, changes from one commodity to another, buybacks of all or part of a contract balance by mutual agreement, and unilateral cancellation by one party that could result in a contract dispute. [3] Does not include exports for exporters' own accounts. Data may not add due to rounding.

exports and outstanding sales as of August 31. An examination of all of the transactions that occurred during this period and an assessment of performance were made for each type of contract. This was possible by assuming that those contracts that changed from basis to fixed took on all the characteristics of other fixed price contracts and prorating the disposition of those changed contracts.

The net overstatement of basis-type contracts for corn was nearly 5 million metric tons. Thus, slightly more than half of these contracts were cancellations. For fixed-type contracts, including basis contracts that later became fixed, 1.5 million tons were cancelled—about 20 percent.

The net overstatement of basis type contracts for soybean cake and meal was 1.5 million tons. Here, nearly three-fourths (73 percent) of all basis contracts for which there was activity ended in cancellation. For fixed-type contracts, including those which later became fixed, 1.1 million tons or about half of all fixed price sales were cancelled.

An unexpected finding of this part of the study was the conclusion that overstatement is by no means limited to basis-type contracts. Apparently, the risk of cancellation was less important to foreign buyers than assurance of supplies. (See *Foreign Agriculture* June 30, 1975.)

PRORATION OF FIXED AND BASIS PRICE CONTRACTS, APRIL 13-AUGUST 31, 1974

Proration	Contracts changed from basis to fixed	Contracts initially reported as basis		Contracts initally reported as fixed		Total contracts	
	1,000 m.t.	*1,000 m.t.*	*Percent*	*1,000 m.t.*	*Percent*	*1,000 m.t.*	*Percent*
Corn:							
Resales, buybacks, and cancellations	892	4,958	52	1,542	23	6,500	40
Exported	3,373	3,961	42	5,832	86	9,792	60
Remaining in fixed price on 8/31/74	527	−527	6	527	−9	—	—
Net activity	4,792	9,446	100	6,787	100	16,292	100
Soybean cake and meal:							
Resales, buybacks, and cancellations	453	1,523	73	1,118	60	2,641	67
Exported	379	379	18	938	50	1,317	33
Remaining in fixed price	181	+181	9	−181	−10	—	—
Net activity	1,013	2,085	100	1,876	100	3,961	100

Further, elimination of basis-type contracts would have omitted 588,000 metric tons of corn from the reporting system. This situation would have occurred because this quantity was exported before the contract price became fixed.

Elimination of basis-type contracts, however, would have resulted in a more serious problem. That is the delay incurred in reporting contracts, many of which were written months before the price became fixed.

The proposal also would have eliminated reporting of optional-origin basis contracts, as well as those specifying U.S. origin. Before the study was undertaken, optional-origin contracts had not figured prominently in the reported data.

In recent months, however, elimination of these contracts could have deprived the Department and the public of complete information on the magnitude of Soviet purchases of U.S. grains. A portion of the grain sales to the Soviet Union are believed to be of the basis-priced and optional-origin type. Under these contracts, price and origin are usually not specified until shortly before delivery.

As a result of these findings, USDA decided to retain basis contracts in its reporting system, concluding that a bet-

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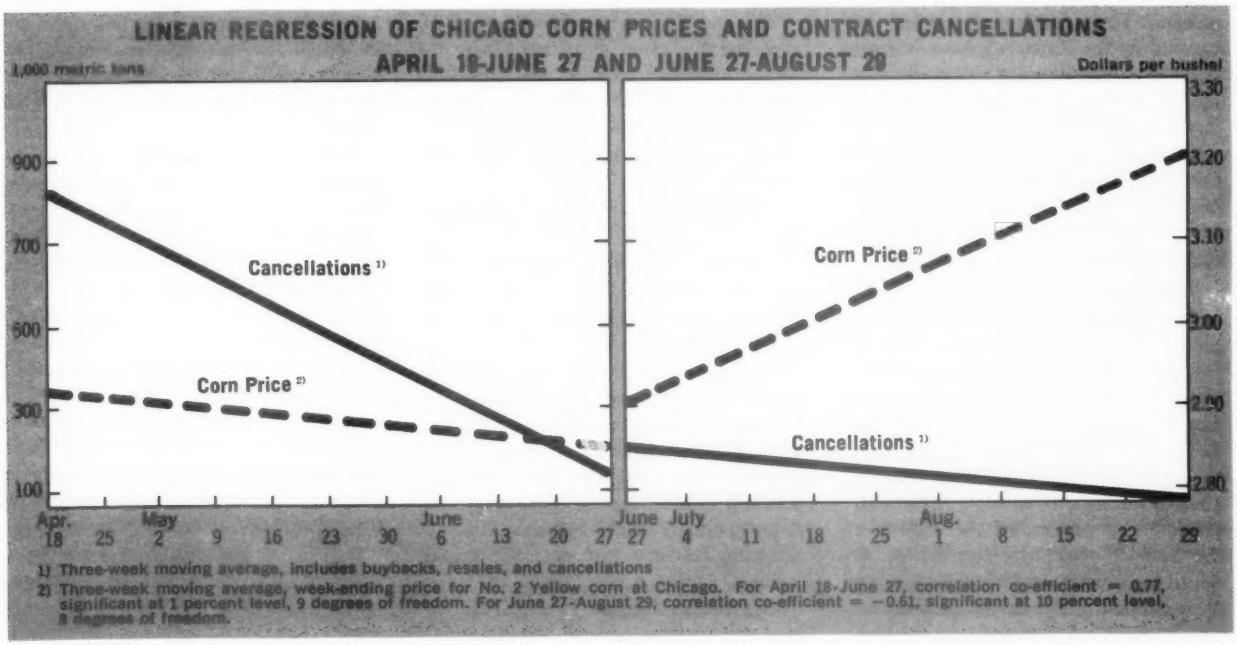

Canada's Oilseed Crops Rebound In 1975

FOLLOWING several years of disappointing results, Canada's oilseed production took a big jump in 1975. But the gain came too late for the Canadians to capitalize on surging foreign demand—so evident in the recent past—posing instead the problem of finding new outlets for oilseed products now overly abundant on the world market.

Led by sharp gains in the dominant crop—rapeseed—1975 production of oilseeds soared nearly a third over last season's to around 2.4 million tons. Total area rose a more modest 15 percent, while yields improved over the disappointing levels of 1974.

With supplies up, shipments of the leading exports—rapeseed and flaxseed—in the 1975/76 marketing year (August-July) appear likely to rise more than 33 and 40 percent, respectively, from their depressed 1974/75 levels. But even those sharp gains will not put shipments back up to 1973/74 levels, portending a buildup in surplus stocks of vegetable oils and meals.

The all-important rapeseed crop rebounded by almost 40 percent from the disappointing outturn of 1974 as a nearly 30 percent boost in plantings combined with better yields to spur expansion. The acreage gain had been requested by the Rapeseed Association of Canada so that the country could meet export demand developed during the last 8 years while also supplying the increased crushing capacity of Western Canada. The resulting production surge moved output to the highest level since production peaked at 2.16 million tons in 1971.

Aside from a bout of dry summer weather, growing conditions for the crop—as well as for western flax and eastern soybeans—were generally favorable. In addition, farmers appear to have made the most of harvest conditions, and the crop now in the bin is described as being in good shape and of good-to excellent quality. Moreover, about 15-18 percent of the crop is of the new "Tower" variety, whose reduced levels of the toxic erucic acid and glucosinolates make its oil more acceptable in world markets and its meal more usable as a livestock feed ingredient.

Prices of the crop, on the other hand, by late 1975 had tailed off from their early-season highs as a result of weakening world prices and prospects for greatly increased world supplies of oilseeds and oilseed products.

Canadian exports of rapeseed are forecast to reach 794,000 tons in 1975/76, compared with the unusually low 593,000 tons of last season, but they will still be well under the average of the previous 4 years and the 1972/73 high of 1.23 million tons. Japan is far the largest market for Canadian rapeseed, taking 299,500 of the 364,000 tons shipped in the first half of 1975. The Netherlands is the only other market of size.

Rapeseed cake and meal shipments traditionally account for a small fraction of the total output; exports of the meal totaled 5,400 tons in the first half of 1975, while those of the oil hit 15,500 tons (with far the largest share of this moving to India under concessional sales programs). Exportable supplies of such products, however, could mount significantly in 1975/76, in view of sluggish world demand for oilseeds and consequent stockpiling of their by-products.

Meanwhile, domestic consumption of rapeseed and other vegetable oils is expected to remain more or less constant, as it has in the past, while consumption of the meal may decline in response to recent reductions in poultry and hog numbers.

Canadian 1975 production of flaxseed also posted a sizable gain, climbing some 28 percent from the disastrous 1974 level to 450,000 tons. Yet this is still only about a third of the record 1.24 million tons produced in 1970/71.

Canada is one of the world's major producers and exporters of flaxseed, but output of this crop has been in a general decline since 1970/71 in response to sluggish world demand for its by-product, linseed oil. In line with the reduced emphasis, the domestic flaxseed crushing industry has virtually closed down.

Exports of flaxseed in 1975/76 are expected to total around 384,000 tons, for a 117,000-ton gain from those in 1974/75. West Germany is the main outlet, buying 47,400 tons in the first half of 1975 and 110,000 in all of 1974, followed by Japan and the Netherlands.

Shipments in the next few months, however, may be hampered by the October 3 destruction by fire and explosions of the Burrand Terminal at Vancouver. This terminal elevator had a capacity of 1.5 million bushels and specialized in shipping flaxseed and rapeseed. So far, there has been no word on the possibility of it being rebuilt.

Production of soybeans, centered in Ontario's relatively warm southwest as opposed to the other oilseeds' predominance in the Prairie Provinces, rose by slightly less than 10 percent last year to an estimated 329,000 tons. The gain—entirely the result of improved yields—came despite a cut in acreage as farmers switched to more profitable grains.

As with rapeseed, demand for soybeans has been sluggish recently, and prices have been on the skids. As a result, Ontario farmers held onto larger than usual stocks at the end of the 1974/75 marketing year and will most likely further reduce plantings next spring.

ALTHOUGH a soybean producer, Canada must also import soybeans, soybean cake and meal, and soybean oil from the United States. During the first half of 1975, such purchases totaled 207,400, 131,900, and 9,400 tons, respectively—levels which are not expected to change much this season. The country also maintains a limited outlet for these products in the United Kingdom.

Production of sunflower, a onetime growth crop in Canada, soared more than two-thirds over its paltry 12,000-ton level of 1974. However, the 20,000 tons estimated for 1975 is well off the 77,000 tons reached in 1971 and 1972, when sunflowers were being stressed. Exports for 1975/76 have been estimated at 10,000 tons, compared with 15,000 last season. Poor weather at harvesttime—including heavy rains—and better returns for alternative crops such as wheat may prove formidable obstacles to recovery and expansion of sunflower culture on the prairies.

—Based on dispatch from
DAVID W. RIGGS
Assistant U.S. Agricultural Attaché, Ottawa

Ecology Fears Boost Kenyan Pyrethrum Exports

By IRENE ROSE
Office of U.S. Agricultural Attaché
Nairobi

THE WORLD'S growing concern over ecological reprecussions of using chemical insecticides that leave harmful —and often long-lasting—residues once again has focused attention on pyrethrum—one of the world's oldest and safest "bug killers." As a result, Kenya's exports of pyrethrum extract shot up over the $10-million mark in 1974 for the second time in 3 years.

Soaring to $12.7 million in 1974—up 54 percent from the previous year's $8.2 million, and $2.1 million above the previous high in 1972—Kenya's pyrethrum exports received an assist from petroleum price boosts that caused a marked rise in the cost of synthetic insecticides. These lean heavily on petrochemicals as a major input.

The United States is traditionally the largest market for Kenyan pyrethrum extract exports, with annual average purchases totaling 138,610 kilograms (1 kg=2.2 lb) between 1970 and 1974. The United Kingdom and Italy vie for second and third places.

In 1974, extract exports to the United States were 140,896 kg. Those to Italy were 64,986 kg, and to the United Kingdom, 62,598. A year earlier, pyrethrum extract exports to these countries were 113,161, 53,005, and 40,802 kg, respectively. Exports are also sizable most years to Japan, Australia, Canada, Swaziland, and the People's Republic of China. Pyrethrum extract is Kenya's fourth ranking export after coffee, tea, and sisal.

Japan purchased the largest quantity of Kenyan pyrethrum flowers and powder in 1974, followed by Hong Kong, Argentina, and Malaysia.

Kenya is the world's largest producer of pyrethrum. Yet, few people know much about its source—a little, white, daisy-like flower growing in profusion across many hillsides in Kenya.

Botanically, pyrethrum is quite different from the other cash crops grown in Kenya. The plant is a member of the chrysanthemum family—*Chrysanthemum cinerariaefolium*. All parts of the pyrethrum plant contain pyrethrins —the active ingredient in pyrethrum insecticide—but the concentration is negligible in most parts of the plant except the flowers, where 90 percent of the pyrethrins occur. The flower's pyrethrin content is highest when two or three rows of blooms have fully opened. The flowers are then picked from the stem and carefully dried to reduce their moisture content from the original 75 percent to 10 percent.

Pyrethrins are extracted from the dried flowers at the Kenya Pyrethrum Board factory at Nakuru. Some are converted into a fine powder for incorporation into mosquito coils. Others are subjected to a solvent treatment and are concentrated into liquid extracts, ranging from crude oleoresins to highly refined, pale, light extract used in aerosol insecticides. The factory has the capacity to process about 20,000 metric tons of dried flowers a year into liquid extract for export in metal drums in various standardized concentrations.

In Kenya, pyrethrum grows on many types of soil, but does best on the naturally rich soils of volcanic origin in the western parts of the country, where almost half of the total crop is produced. The best flower yields are usually achieved at altitudes of 7,000 feet and higher. But, in certain areas—such as the Kisii Highlands and on the slopes of Mount Kenya—satisfactory growth has been achieved at about 6,000 feet.

Evenly distributed rainfall is necessary as pyrethrum suffers a great deal during prolonged drought. Best results are achieved where rainfall is around 40-45 inches a year.

For maximum bud initiation the plant requires low night temperatures that prevail at the higher altitudes. The pyrethrin content of the flowers also increases with higher altitudes.

Given normal weather conditions the pyrethrum fields of Kenya remain in flower for about 9 months of the year, (from May to February) and picking takes place at 2-3 week intervals. The average pyrethrin content of dried flowers usually ranges around 1.4 percent. Thus, in every 100 pounds of flowers there is less than 1½ pounds of the pure insecticidal compound.

Kenyan girl picking pyrethrum flowers. Pyrethrins are extracted from the dried flowers and are used in various forms as a natural insecticide.

Freshly picked flowers, with their 75 percent moisture level, must be dried shortly after harvesting. If the flowers are stored or bulked in a wet state they ferment, rendering them useless for processing, and also causing loss of pyrethrins. On the other hand, similar losses occur if the flowers are exposed to excess heat. Thus the drying process must be carefully controlled to insure a high-quality finished product.

Pyrethrum plants are propagated either from seed or cuttings. It is through the use of cuttings that Kenya's pyrethrum industry has expanded so rapidly during the past few years. As a result, Kenya produces approximately two-thirds of the world's pyrethrum, of which 99 percent is exported.

During 1973/74, Kenya produced 13,722 metric tons of pyrethrum (dried-flower equivalent), compared with the record of 14,413 tons in 1971/72. However, subnormal precipitation in most parts of Kenya during 1973 had caused output from the 1972/73 season to drop to 10,698 tons. The 1974/75 crop is forecast at 15,000 tons.

World demand for pyrethrum is increasing steadily and all indicators show

that the high demand will be sustained. Kenya's pyrethrum growers have been called on to double or treble production. Increased prices for the 1973/74 crop and the abolition, in December 1973, of the tax the Board levied on farmers to cover costs of capital replacements, helped to provide incentives. Growers were paid K Sh4.74 per kg for 1.3 percent pyrethrine content and K Sh5.47 for 1.5 percent pyrethrin content in 1973/74. (In 1974 the exchange rate was K Sh7.1439=US$1.)

About 90 percent of Kenya's pyrethrum comes from small farms of less than 4 hectares (1 ha=2.471 acres) and plots of pyrethrum averaging in size from ⅛ to ½ hectare. Smallholder pyrethrum plantings were estimated at 36,000 hectares in 1973/74 and large farms at 4,000 hectares. Individual plotholders are organized into cooperative societies—of which there are now over 124—many of which produce flowers with over 2 percent pyrethrins and yields in excess of 147 kg per hectare. Approximately 100,000 families are engaged in pyrethrum growing and in many cases the monthly cash income obtained from dried pyrethrum flowers is a vital part of the family's economy.

Since the establishment of the Environmental Protection Agency (EPA) in the United States in December 1970, several changes have occurred in U.S. pesticides regulations. Additionally, with the restrictions placed on the use of some other insecticides—such as DDT —several research advances have been made that may make pyrethrins even more useful in the future than they are today.

To date, there has been no evidence of chronic pyrethrin toxicity in the human body. This gives pyrethrum a big advantage over many other insecticides and it has been noted that pyrethrum and allerthrin (a synthetic) are probably the least toxic to mammals of all the insecticides currently in use.

Pyrethum is again being used in more and more countries of the world and has come in for increased attention from those concerned with pollution, contamination, and conservation of animal and plant life. Synthetic insecticides, which once stole the limelight from pyrethrum, have consequently suffered a setback owing to their injurious side effects caused by their long persistence after use.

Malaysia's Palm Oil Exports Up

PENINSULAR MALAYSIA'S exports of palm products have soared during the first 9 months of 1975 and producers in the country are trying to improve operations to enable them to better serve their export markets, according to John S. DeCourcy, U.S. Agricultural Attaché at Kuala Lumpur.

One local integrated palm oil factory has introduced a more efficient method of delivering crude palm oil from isolated factories located on waterways to road tankers and bulk storage complexes. The system involves the use of barges equipped with heating units to keep the oil at a specified temperature to prevent an increase in the oil's free fatty acid (FFA) content.

Previously this system of handling palm oil was available only on ocean-going tankers. It also eliminated the necessity for transporting the oil in 44-gallon steel drums from plantations to exit points, making bulk handling possible, DeCourcy said.

According to Malaysian press reports, a group of local palm oil refiners recently formed an association to draw up minimum standards for their products. The association spokesman said that the group would also help establish uniform descriptions and documentation to enhance overseas marketing of increasing quantities of palm oil that is being refined locally, Attaché DeCourcy reported.

Peninsular Malaysia's production of crude palm oil during the first 9 months of 1975 amounted to 792,736 long tons, up 23 percent from the 644,567 tons of the same period in the previous year. Palm kernel output, totaling 161,326 tons for the first 9 months of the year, was 22 percent above the level of the same period of 1974.

During the January-September period of 1975, Peninsular Malaysia exported 598,678 tons of crude palm oil, compared with 548,293 tons in the corresponding period of 1974, an increase of 9 percent. Destinations for Malaysian palm oil were the United States (185,945 tons), the Netherlands (92,769 tons), Iraq (61,727 tons), the United Kingdom (63,224 tons), Singapore (55,414 tons), Japan (20,465 tons), and West Germany, (17,341 tons). Shipments to other countries totaled 101,793 tons.

Exports of palm kernel oil, totaling 80,498 tons during the first 9 months of 1975, were 25 percent higher than those during the same period the previous year. Main destinations for Malaysian palm kernel oil exports were the United States (27,346 tons), the United Kingdom (21,221 tons), the Netherlands (8,764 tons), Singapore (7,938 tons), Canada (4,542 tons), West Germany (1,880 tons), and other countries (8,807 tons).

Sabah shipped 87,115 tons of crude palm oil during the January-September period of 1975, compared with 57,638 tons in the same months of 1974. This total was 51 percent higher than in the same months of 1974. Sarawak's exports of crude palm oil were 2,438 tons in the 1975 period, up from zero shipments in the first 9 months of 1974.

Harvesting palm oil bunches from trees averaging 8-10 years of age. Malaysia is seeking ways to make palm oil more competitive on world markets and some producers are drawing up minimum export quality standards.

Australian Wool Stocks Still Growing

AUSTRALIA'S MOUNTAIN of unsold wool continues to grow and by mid-December had reached some 1.9 million bales that cost the Australian Wool Corporation in excess of $A500 million ($A1=US$1.26). The Corporation continued to amass wool for more than a year in an effort to prevent prices from falling below the floor price of 250 Australian cents a kilogram (US$1.43 per pound), clean basis.

Concern continues to grow among tradesmen and Government officials, according to Harlan J. Dirks, U.S. Agricultural Attaché at Canberra, as to how long it will be before the AWC will be able to switch positions from a net buyer of wool to a net seller.

Since the beginning of the 1975/76 wool auction season—on August 22—the AWC has been forced to buy about 30 percent of the current season's offerings. This is contrary to earlier forecasts that AWC purchases would be minimal this year, Dirks notes. Last year the Corporation made massive purchases and ended the 12-month season with a buying rate of 34.1 percent.

Rumors of pending devaluation of the Australian dollar have been one of the prime factors in the slow buying by foreign mills. Although the Australian Government has declared that such action would be most unlikely, there is still speculation that it will eventually take place, Dirks says, in view of earlier devaluations in New Zealand and South Africa, two of Australia's largest competitors in the world wool markets.

Australian officials point out, however, that both countries have raised their reserve floor price for wool by the full amount of the devaluation, in effect wiping out the advantage resulting from the monetary action.

The AWC has sufficient funds to continue its support program indefinitely. Also it has Government assurance that additional funds will be made available.

The AWC has some $A200 million at its disposal to continue its present wool-buying operations in 1975/76 and the Labor Government had previously appropriated an additional $A80 million in new funds in the 1975/76 budget. In addition, there were $A35 million in carryover Government funds remaining from the 1974/75 original amount of $A400 million, and another $A70 million in Government-backed commercial borrowings were available, if needed. The 5-percent producer levy on wool sales could possibly yield an additional $A45 million, that might also be used to offset losses in the support program.

The AWC is still moving wool to stockpiles abroad so as to be in a better position to fill on short notice orders from overseas buyers, Dirks says. The AWC has reportedly made some "worthwhile" sales from its stocks in the United States and hopes to make additional ones later.

Australia's main concern toward the end of the year was slower than expected buying by the Japanese. Wool buyers have stated they will buy on an "as needed" basis until there is some improvement in the Japanese economy.

Export Sales Contracts

Continued from page 7

ter picture of total export sales is accomplished, even though there are times when the sales position is overstated.

Some additional observations were made in the relationship between short-term changes in commodity prices and cancellations of reported sales. Two price situations were observed. The first was from April 13, 1975, to June 27, 1975, when prices were declining slightly for both corn and soybean meal. The second period, from June 27, 1975, to August 31, 1975, was characterized by rising market prices for both commodities.

The key questions were—do basis contract cancellations occur more frequently in a stable, declining, or rising market? If a correlation between price and cancellations should result, can any significance be attached to the finding?

The cash price of corn at Chicago on April 11 was $2.93 per bushel and on June 27, $2.90 per bushel. The maximum price spread was about 15 cents per bushel.

During this period of declining prices, there were 5.9 times more cancellations in basis contracts and 2.5 times more fixed contract cancellations than occurred in the following period when prices were rising.

This high rate may have been due to the seasonality of the marketing year. There is, however, significant correlation for the data studied in both periods.

This relationship was positive during the period of falling prices and negative when corn prices were rising. Possibly, traders had less need for the additional flexibility provided by the basis contract during a period of stable prices.

In the first time frame, cancellations accounted for 60 percent of the basis contract activity and 21 percent of the fixed contract activity for corn. Twenty-seven percent of basis contract activity resulted in export, compared with 62 percent of fixed contracts.

In the second time period, the June 27 cash price for corn at Chicago was $2.90 per bushel; on August 29 it was $3.05—a rising market—with a price range during the period of 34 cents a bushel.

Cancellations now accounted for only 26 percent of the basis activity and 13 percent of the fixed contracts. Export activity increased to 57 percent for basis and 75 percent for fixed. Thus, it seems that price clearly prompted cancellation action for both types of contracts, although additional research may be needed to substantiate this conclusion.

Similar results were found for soybean meal. The activity was too nominal to draw meaningful conclusions, however, and the results are not included here.

Many people—at home and abroad—are understandably concerned when large export sales are reported, particularly if the total of such sales substantially exceeds USDA's export projections and market prices are rising sharply. These were the conditions that prevailed from August to November 1974 and led to the study.

Although the world supply situation is no longer as tight, the FAS study provides useful guidelines for interpreting reported data should shortages again threaten or importing countries feel the need to assure their supplies. For USDA, the study has added new dimensions to the system of export sales appraisal and, most important, provided a more thorough insight into one of the most complex aspects of grain marketing.

CROPS & MARKETS

GET SPOT NEWS MORE PROMPTLY

To bring you production and trade news more promptly, the information now included in the Crops and Markets section of *Foreign Agriculture* will be discontinued in early February as a section of the magazine and will be carried instead in the *Weekly Roundup of Production and Trade*, published each Tuesday. If you wish to receive the *Weekly Roundup*, which is free of charge (to U.S. residents only), please fill out and mail in the coupon on the back page.

GENERAL

Canada May Revise Label Regulations. The Canadian Government has advised the U.S. Embassy in Ottawa that requirements for bilingual labeling of wholesale food containers have been postponed pending further study. The regulations were to have gone into effect March 1, 1976.

According to the U.S. Agricultural Attaché in Ottawa, the Government of Quebec also is expected to revise its labeling regulations as they pertain to agricultural products. The action is expected in late January.

Feedgrains Eligible for CCC Financing. USDA has added feedgrains (barley, corn, sorghum, and oats) to the list of commodities eligible for export financing under the Commodity Credit Corporation (CC) export credit sales program.

Other commodities previously eligible include beef and dairy breeding cattle, breeding swine, cotton, cottonseed oil, dry edible beans, dry edible peas, eggs (dried, frozen, and canned), hog grease, nonfat dry milk, peanut oil, poultry (frozen and canned), raisins, milled and brown rice, soybean oil, tallow, tobacco, wheat, and wheat flour.

Current interest rates under the program are 8 percent for U.S. bank obligations; 9 percent for foreign bank obligations.

CCC Export Credits Extended. Commodity Credit Corporation (CCC) export credits were extended in late December and early January to Poland, Morocco, the Philippines, Panama, and Korea.

A $25.3-million line of CCC credit to Poland is to be used to finance export sales of U.S. wheat. Credit terms provide for 3-year financing. The authorization period extends through June 30, 1976.

A $30-million line of credit to Morocco will be used to finance sales of U.S. wheat under 3-year credit terms. The export authorization period is effective through June 30, 1976.

The export authorization period for a $30-million line of CCC credit covering export financing of cotton to the Philippines has been extended through June 30, 1976. Other terms and conditions remain unchanged.

A $5-million line of credit has been established to finance export sales of soybean oil to Panama under 36-month terms. The export authorization is effective through June 30, 1976.

A $95-million line of credit is to be used to finance sales of U.S. cotton to Korea. Terms provide for 3-year financing. The export authorization period is effective through June 30, 1976.

—GRAINS • FEEDS • PULSES • SEEDS—

Australia's Wheat Crop, Export Estimates Up. The Australian Wheat Board (AWB) now estimates the wheat crop being harvested at 11.7 million tons, an increase of 200,000 tons over the previous estimate. Although AWB now forecasts export availabilities for the 1975/76 season at 9.1 million tons compared with the earlier estimate of 8.3 million, actual exports may be somewhat less.

Rotterdam Grain Prices and Levies. Current offer prices for imported grain at Rotterdam, the Netherlands, compared with a week earlier and a year ago:

Item	Jan. 19	Change from previous week	A year ago
	Dol. per bu.	*Cents per bu.*	*Dol. per bu.*
Wheat:			
Canadian No. 1 CWRS-13.5	(1)	(1)	5.42
USSR SKS-14	(1)	(1)	(1)
French Feed Milling [2]	3.58	−5	(1)
U.S. No. 2 Dark Northern Spring: 14 percent	5.08	+6	5.32
U.S. No. 2 Hard Winter: 13.5 percent	4.75	+31	4.98
No. 3 Hard Amber Durum	5.38	−17	6.88
Argentine	4.30	−3	(1)
U.S. No. 2 Soft Red Winter	3.91	+5	(1)
Feedgrains:			
U.S. No. 3 Yellow corn	3.04	+4	3.63
French Maize [2]	3.36	+1	(1)
Argentine Plate corn	3.80	+9	4.24
U.S. No. 2 sorghum	3.01	+1	3.58
Argentine-Granifero sorghum	3.06	−2	3.73
U.S. No. 3 Feed barley	2.87	−2	3.59
Soybeans:			
Brazilian	(1)	(1)	(1)
U.S. No. 2 Yellow	5.20	+28	6.43
EC import levies:			
Wheat	1.12	−17	.77
Corn	1.06	−3	.38
Sorghum	1.02	−3	.42

[1] Not quoted. [2] Basis c.i.f. west coast, England.
NOTE: Price basis 30- to 60-day delivery.

Canada Sets Final 1974/75 Grain Payments. Final payments, representing the balance owed to farmers from the sale of their grain from the 1974/75 crop by the Canadian Wheat Board, will average 65 cents per bushel on spring wheat and $2.03 per bushel on Durum. The final payment for No. 1 Canada Western Red Spring (CWRS) wheat, together with the initial payment, gives producers a total return of more than $4.47 per bushel for this grade of wheat, basis Thunder Bay or Vancouver. On the same basis, the total return for No. 1 Amber Durum will be $6.23 per bushel. These payments represent the second-highest total cash return per bushel on record. The record high occurred in 1973/74, when the realized return was $4.57 per bushel for No. 1 CWRS wheat and $6.61 per bushel for No. 1 Amber Durum.

Total cash returns of $4.47 for No. 1 CWRS wheat in 1974/

75 compare with an average f.o.b. export price of $4.97 per bushel for No. 2 Dark Northern Spring, 14 percent, at Duluth/Superior. (Prices are in Canadian currency, which is about on par with that of the United States.)

DAIRY • POULTRY

U.S. Waives Some Countervailing Cheese Duties. The U.S. Treasury Department on January 5 announced a final countervailing duty determination that bounties or grants are being paid or bestowed on cheese imports from Austria and Switzerland, but said it would waive countervailing duties in both cases under the temporary waiver provisions of the Trade Act of 1974. Waivers may be granted if steps are taken to reduce substantially or eliminate the adverse effect of the bounty or grant, if there is reasonable prospect that successful trade agreements will be entered into providing for reduction or elimination of barriers or other distortions of international trade, and if the imposition of additional duty would be likely to jeopardize seriously the satisfactory completion of such negotiations. The waivers expire January 3, 1979.

LIVESTOCK • PRODUCTS

Uruguayan Beef Sold to Egypt. Uruguayan meat packers reportedly have signed a contract to ship 22,000 tons of chilled hind and forequarters to Egypt between January 5 and April 30, and they foresee the possibility of supplying up to 70,000 tons to Egypt during calendar 1976. Total Uruguayan beef exports in 1975 were slightly more than 100,000 tons.

EC Changes Beef Import System. A simplified system for EC imports of beef and veal became effective January 1. Under new EC regulations, a trader who obtains an import license may import beef equivalent to the amount of beef he buys from intervention stocks, whether or not the purchase from those stocks was for sale on the domestic or export market.

Previously, traders were required to export EC beef without subsidy before applying for import licenses. Imports will be limited to 10,000 tons per month.

In addition, the EC levy-free GATT quota of 38,500 tons will continue for 1976 and a quota of 14,000 tons of beef for certain developing countries has been set for first-half 1976. On a product-weight basis, this change would bring 1976 beef and veal imports to 172,500 tons (227,000 tons on a bone-in or carcass-weight basis), 10 percent more than the amount imported in 1975.

COTTON

German Textile Industry Records Upturn. After months of declining textile demand, German cotton-yarn spinners reported increasing yarn orders and declining stocks in the first quarter of the 1975/76 marketing year. Also, exports of semifinished and finished goods—especially high quality cotton cloth—increased during that period and the trend is expected to continue throughout the second quarter. However, yarn production has not yet recovered to prerecession levels of a year earlier and the textile industry is concerned about textile imports, which increased more rapidly than exports during the first quarter.

Raw cotton consumption in 1975/76 is forecast to regain about two-thirds of last season's 120,000-bale decline and reach 985,000 bales. With relatively large carryin stocks, imports of raw cotton in the first quarter declined about 10 percent below those of the same period a year earlier. Turkey and the USSR were the principal supplers. Uncompetitive prices held the U.S. share to 3 percent, compared with 5 percent in the first quarter of 1974/75 and 6 percent for the entire 1974/75 season.

Brazil Halts Cotton Export Incentive. Brazil has cancelled a cotton export tax credit, effective January 1, and reinstated a value-added tax on previously exempt cotton sales in the large cotton producing and exporting States of São Paulo and Paraná. The 7 percent credit was instituted in mid-1975 to spur lagging exports. Improved prices and export sales, strong domestic demand, and prospects for a much smaller 1975/76 crop were cited as justification for rescinding the tax advantage. This action has firmed already strong export asking prices. By mid-December, export sales of the 1974/75 crop, harvested last spring, had risen to about 500,000 bales, double total exports in 1974/75. Since December 1, export selling interest has been light.

Turkey Rescinds Cotton Export Subsidy. In the wake of recent world price strength, Turkish authorities withdrew the 5-month-old 15-percent tax rebate on exports of cotton sold after January 5, 1976. Unshipped sales made before that date will continue to benefit if loaded within 30 days of sale. Spot prices weakened and export values strengthened further in reaction. Export offers continued very light because cooperatives holding the bulk of supplies were unwilling to commit supplies on the rising market. Tax rebates on yarn and textile exports continue in force.

Pakistan's Cotton Estimate Lowered. Pakistan's 1975/76 cotton crop is now estimated at around 2.4-2.5 million bales (480 lb net), significantly below the Government's 3.3-million-bale goal and the earlier FAS estimate of 2.9 million. Floods, rain, and insects are blamed for the reduced 1975/76 outturn, which is about 15 percent below that of 1974/75. Also, some cotton farmers are switching to other crops.

Japanese Textile Industry Still Hopeful. Japanese spinners continue to forecast an improvement in cotton consumption this season from the depressed 1974/75 level. Despite the current generally cautious tone of economic recovery, present expectations point to expanded textile demand around mid-1976. Even so, current unrenumerative cotton yarn prices have again sparked a voluntary production cutback.

In reaction to the uncertain market recovery, Japanese spinners have thus far held back on their forward cotton purchases, buying through November only roughly 55 percent of their projected 1975/76 3.2-million-bale requirement. The recent strengthening of world cotton values, however, could prompt a more aggressive approach by Japanese mills. Because

of the relatively higher U.S. offering prices during the first 3 months of the current season, the USSR has replaced the United States as Japan's leading cotton supplier.

SUGAR • TROPICAL PRODUCTS

U.S. Baler Twine Imports Down Sharply. U.S. imports of sisal baler and binder twines during November 1975 totaled 2,317 metric tons and were 75,597 tons for January-November 1975. These totals compare with 25,461 tons in November 1974 and 139,492 tons during the first 11 months of 1974. The decline in imports in 1975 has been due in part to large carryover twine inventories at the end of the 1974 haying season and especially heavy imports during October-December 1974. Also, record high prices for sisal twine in 1974 and into the first half of 1975 resulted in both a surge in domestic production and use of cheaper synthetic twine and a significant shift by many farmers to alternative methods of harvesting their hay crops requiring less twine per unit harvested. Baler twine stocks are accumulating in producing countries and Europe. U.S. importers probably are delaying purchases for 1976 later than usual, although prices are now sharply down from year-ago levels. As of mid-December, Mexico reportedly had lowered the f.o.b. export price on baler twine from $12.40 per 40-pound bale to $9.40.

Brazil Sets 1976 Sisal Prices. Brazil's Agriculture Minister has announced that the minimum prices for sisal in 1976 will be unchanged from those for 1975—Cr$3.69 per kilogram (19.4 U.S. cents per pound) for Type 2 and Cr$3.45 (18.2 U.S. cents per pound) for Type 3 sisal. The Committee for the Financing of Production (CFP) has already acquired 150,000 metric tons of sisal—close to half total 1975 production. CFP will soon begin disposing of its stocks by dividing them into standardized lots and accepting from exporters the best bid for each lot. Bids are likely to be well below the Government's minimum price for sisal.

TOBACCO

Canadian Tobacco Growers Subsidize Exports. To boost lagging export sales, the Ontario Flue-Cured Tobacco Growers' Marketing Board (a growers' cooperative) has approved a 5-cents-per-pound rebate on flue-cured exports from the 1975 crop. The rebate will be paid from the Board's $3.5-million export development fund that has been accumulated from a checkoff by growers and a levy paid by domestic buyers on 1973 and 1974 crops.

The rebate is aimed chiefly at increasing U.K. purchases, which are running well below earlier expectations. In the spring of 1975, U.K. buyers had projected their requirements at about 51 million pounds from the 1975 crop. By the fall of 1975, that projection had decreased to 35 million pounds. Factors contributing to this lower demand include the depressed U.K. economy, phasing out of tariff preference for Canadian tobacco, declining tobacco consumption in Britain, and noncompetitive Canadian tobacco prices, reflecting Canada's high production costs.

India's Tobacco Prospects Promising. Prospects for India's 1976 tobacco crop are reported to be promising. Total production could reach 440,000 metric tons, including as much as 140,000 tons of flue-cured. Production in 1975 is officially estimated at 395,000 tons, 15 percent below the record 1974 crop. The decline was mainly in flue-cured (the major export type), production of which fell 28 percent to 111,000 tons. Diversion from tobacco to cotton and dry weather were largely responsible for the decline.

India is second only to the United States among exporters of flue-cured. Over 95 percent of India's exports (74,000 tons in 1974) go to the EC—primarily to the United Kingdom. India is the primary beneficiary of the EC Generalized System of Preferences (GSP) tariff quota for flue-cured, which has been set at 38,000 tons for 1976.

OILSEEDS • PRODUCTS

U.S. Sunflowerseed Exports Set Record. U.S. exports of sunflowerseed in November were a record 101,000 metric tons (about 40,000 tons, oil basis), compared with 58,000 tons shipped in November 1974. The surge in exports, primarily to West European markets, reflects the bumper 1975 sunflowerseed crop in the United States (unofficially estimated at 625,000 tons) and reduced Soviet sunflowerseed oil supplies available for export in 1975/76. The United States currently is the world's leading exporter of sunflowerseed oil and, on an oil basis, follows only the USSR and Romania in combined exports of sunflowerseed and sunflowerseed oil.

Palm Oil Processing Plant for Indonesia. Indonesia plans to build a palm-oil processing plant at Gohor Lama in northern Sumatra with a loan of $11.3 million from the Asian Development Bank. Technical assistance will also be provided by the Bank to undertake a feasibility study for a development scheme for smallholders.

When the palm-oil mill is in operation in 1980, it is expected to process 125,000 metric tons of fresh-fruit palm bunches annually, from which 25,000 tons of palm oil and 5,000 tons of palm kernels will be produced each year. The palm oil will be exported, while most of the palm-kernel oil will be consumed domestically as a substitute for coconut oil. Annual net foreign exchange earnings from exports are expected to reach $6.1 million.

FRUIT • NUTS • VEGETABLES

Norway Advances Apple Import Date. The Norwegian Ministry of Agriculture set January 21 as the opening date for 1976 apple imports—10 days earlier than the usual February 1 opening date. The domestic apple supply is expected to be depleted by the opening date because of a smaller 1975 harvest.

Revised Greek Dried Fruit Production. Greece has revised some 1975 dried fruit production statistics. Production is now estimated at 85,000 metric tons of raisins, 68,100 tons of currants, and 20,100 tons of dried figs.

Greece is an important exporter of dried frcit. Forecasts indicate 1975/76 exports may total 75,000 tons of raisins, 50,000 tons of currants, and 10,000 tons of figs. Europe is the major market for Greek dried fruit.

EC Sets Annual Raisin Tariff Quota. The EC annual tariff quota allowing reduced-duty entry for dried grapes (raisins) has been set for calendar 1976. The quota allows imports of

8,373 metric tons in immediate packing of a net weight of 15 kilograms (33 pounds) or less. The quota duty rate is 1.2 percent ad valorem. The normal import duty rate is 4 percent. Import quantity has been divided as follows: Benelux, 791 tons; Denmark, 335 tons; Germany, 2,335 tons; France, 572 tons; Ireland, 280 tons; Italy, 31 tons; and the United Kingdom, 4,029 tons.

EC Increases Canned Tomato Export Subsidy. The EC on December 31 increased its subsidy for export of canned whole tomatoes to all third countries except those in North America from 50 to 70 units of account (u.a.) per metric ton (1 u.a.=$1.2399). Subsidies for export of other processed fruits and vegetables remain unchanged.

Smaller German Canned Fruit Pack. West Germany reports a smaller 1975 canned deciduous fruit pack than in 1974. Weather was fair during the blossom periods for apples and pears. Early spring frosts, however, caused severe blossom damage to plums, apricots, and peaches.

Production is estimated at 4.2 million cases (24/2½) of fruits in syrup and 284,000 cases of fruits without sugar. Comparable 1974 packs were 4.3 million cases of fruits in syrup and 285,000 cases of fruits without sugar. Production, in cases, of major 1975 canned fruits in syrup are: Apples, 2.3 million; sour cherries, 1.2 million; and plums, 450,000. The major fruit items canned without sugar were sour cherries (211,000 cases) and apples (49,000 cases).

France's Smaller Canned Fruit Pack. Early spring frosts severely cut 1975 French production of canned deciduous fruit. The pack is estimated at 2.9 million cases (24/2½), 28 percent below the 1974 pack of 4 million cases. Production of all items was below that of the previous season. Major 1975 pack estimates, in cases, with 1974 packs in parentheses, are: Mixed fruit, 1,151,000 (1,440,000); sweet cherries, 583,000 (652,000); pears, 415,000 (573,000); plums, 294,000 (426,000); peaches, 196,000 (519,000); and apricots, 98,000 (142,000).

France is a net importer of canned fruit. Imports during January-September 1975 totaled 2 million cases, including 928,000 of pineapple, 485,000 of apricots, 224,000 of peaches, 219,000 of mixed fruit, 111,000 of pears, and 45,000 of other fruit. Ivory Coast was the largest supplier of pineapple; Greece, of apricots and peaches; and Italy, of pears and mixed fruit. France exported 189,000 cases of canned fruit during the same period.

Thai Canned Pineapple Production Up. Thailand's output of canned pineapple in 1975 is estimated at a record 2.6 million cases (30 lb each), 24 percent larger than the 1974 pack and sharply ahead of the 1973 level by 105 percent. Export demand has been strong since 1973, and growers have responded by expanding acreage, some of it marginally fertile land.

Over 90 percent of the canned pineapple pack is exported. Exports of canned pineapple during 1975 are estimated at 35,000 metric tons, compared with 30,000 tons in 1974. The United States, West Germany, and Japan accounted for over 80 percent of export sales in 1974. However, shipments to Japan are expected to decline sharply in 1976. Increased shipments to the United States are anticipated because a new Thai-American plant is now in operation.

Canned pineapple prices for 1975, f.o.b. at plant, have been at an equivalent level of about $6.50 per case, compared with $7.50 in 1974. The lower 1975 price reflects larger Thai supplies and slowing world demand.

Ivory Coast Cans More Pineapple. Total 1975 fresh pineapple production for the Ivory Coast was estimated at 245,000 metric tons, an increase of 7 percent over the 1974 crop. About 165,000 tons or 67 percent were destined for canning purposes—about 4 percent more than in the previous year. Another 29 percent was destined for export in fresh form. The price paid to growers for fresh pineapples was set by the Government at about $40 per ton—the same as in the previous year.

The pineapple industry is faced with labor shortages that are slowing the rate of expansion. Consequently, major processors are planning to implement more mechanization to maintain expansion.

Output of canned pineapple in 1975 was estimated at about 65,000 tons, compared with 59,500 tons of 1974. Pineapple juice production during 1975 is not yet known, but the 1974 outturn was placed at 15,500 tons.

Virtually all of the canned and juice pineapple output is exported each year. Important markets for canned pineapples are France and West Germany, which together accounted for about 75 percent of total exports in 1974, and Benelux, with 11 percent. However, for the first 9 months of 1975, exports of canned pineapples to France were down by 38 percent compared with the same period of 1974.

Fresh pineapple production during 1976 is forecast at near the 1975 level because of labor shortages. The longer run outlook is for slow growth, unless implementation of mechanization at factory plantations is expedited.

Other Foreign Agriculture Publications

- Generalized System of Preferences, effective January 1, 1976 (*FA* Supplement)
- World Grain Situation: Outlook for 1975/76 (FG 16-75)
- Prospects for French Corn Production: An Assessment (FG 15-75)
- World Trade in Eggs and Poultry, 1973 and 1974 (FPE 5-75)
- Billion-Pound 1975 World Honey Crop Was Little Changed From 1974's (FHON 2-75)
- Large World Cocoa Bean Crop Expected in 1975/76 (FCB 3-75)
- U.S. Trade in Livestock and Livestock Products for September 1975 (FLM-MT 11-75)
- October U.S. Livestock Trade Was Below Year-Earlier Level (FLM-MT 12-75)
- U.S. Cotton Exports by Customs Districts (FC-19)
- Raw Cotton Exports to Far East Continued To Rise in September (FC 18-75)
- U.S. Raw Cotton Exports in October Up 90 Percent From Year-Ago Total (FC 20-75)

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World Rice Supply

Continued from page 4

other Asian buyers appear reluctant, in a falling market, to purchase large quantities from a distance when smaller amounts can be had more quickly nearby.

It may well be that world import demand is stronger than currently indicated since many importers are in a position to sit on the sidelines and await the most favorable prices. At the same time, it is worth noting that buying by several traditional U.S. cash markets such as Canada, the European Community, South Africa, and Saudi Arabia is bouncing back from the reduced levels of 1974/75. While this will not wholly compensate for the weakness in most Asian markets, U.S. rice exports are still expected to approach 2 million tons in 1975/76, the second best year on record. Prices, however, will be off considerably.

The long-run outlook for U.S. rice exports will, of course, continue to be strongly influenced by the performance of the Asian monsoon and efforts of the rice-eating peoples to increase production commensurate with population growth. During the next few years the following developments could also prove significant:

• The end of war in Indochina will likely result in the reemergence of that area as a major source of export supplies. Although availabilities will probably not return to pre-World-War-II levels, 500,000 tons could well be offered from this region by 1980. Saigon has already begun exporting limited quantities of Vietnam-origin rice, although most observers believe the country (North and South) does not yet have a rice surplus.

The situation in Cambodia is apparently less favorable. There are reports that much of the country suffered acute hunger during the latter stages of the war and immediately thereafter, resulting in the slaughter of large numbers of draft animals. Moreover, there is evidence that the monsoon may not have been as generous in Cambodia's main rice-growing regions as it was over most of the rest of Asia. The possibility of Cambodia offering rice before 1977 must, therefore, be considered unlikely. However, when both Cambodia and Vietnam are able to shake off the effects of war, most observers expect them to sharply alter the Asian supply picture.

• In South Asia, both Pakistan and India are showing increased interest in the foreign exchange potential of larger basmati exports to the Mideast. This is indicated by both a more aggressive marketing approach, and by strong research efforts to develop highyielding basmati-type varieties. In addition, Pakistan is expected to build a dozen new mills and storage facilities this year to boost the quality of its often-criticized coarse-rice offerings.

• Now that dwarf rices occupy much of Asia's "most manageable" rice land, some research is being directed toward providing better varieties for problem areas and conditions. For example, promising crosses have already been made of IRRI dwarf varieties with long-stemmed floating types to provide high-yielding strains to the estimated third of Asia subject to annual flooding and deep-water conditions.

Any possibility of the world being inundated by rice remains, of course, remote. Aside from rampant population growth and the fickleness of monsoons, plant scientists are showing increased concern over the possible breakdown of insect and disease resistance in Asia's high-yielding varieties. This is particularly true in those countries where year-round rice cultivation precludes an interruption of insect/disease life cycles.

Given these uncertainties, periods of light supply and higher prices will undoubtedly recur from time to time.

A basic question is whether, under the current return to heavier supply conditions, U.S. rice can remain competitive. For, although Asian yields may be modest and the quality of the grain uneven, low labor costs have always permitted this rice to be marketed cheaply throughout the world.

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